




State of Washington  
Department of Revenue

# Excise Tax Advisory

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## DUAL PURPOSE USE OF CHEMICAL BECOMING AN INGREDIENT

Issued September 9, 1966

Where carbon dioxide gas is used to supply pressure for dispensing draft beer and also becomes an ingredient of the beer, are sales of carbon dioxide gas subject to Sales Tax?

The taxpayer sold carbon dioxide gas to persons engaged in selling draft beer at retail. The gas was used to supply the necessary pressure to dispense beer from kegs. Carbon dioxide gas was used instead of compressed air because it replaced carbon dioxide gas which was lost during storage of the beer. The taxpayer maintained that the carbon dioxide became an ingredient or component of the beer and, therefore, sales of the gas were exempt from Sales Tax.

RCW 82.04.050 provides for an exemption from Sales Tax by excluding from "retail sale" sales of articles which become an ingredient or component of a new article of tangible personal property produced for sale. Rule 113 provides that where an article serves a dual purpose, tax liability will be determined "by the primary purpose for which the article is purchased." The carbon dioxide gas did become an ingredient of the draft beer sold, and the Commission found that this was a major and primary purpose for using carbon dioxide, a necessary ingredient of the beer. The use of the gas to supply pressure to dispense the draft beer, while equally essential, was held not to negate a primary tax-exempt purpose. Therefore, no Sales Tax liability arose on sales of the carbon dioxide gas to beer retailers. (Letter.)

***ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.***

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Please direct comments to:  
Department of Revenue  
Legislation & Policy Division  
P O Box 47467  
Olympia, Washington 98504-7467  
(360) 753-4161 eta@DOR.wa.gov